

**TAB 40**

**Distribution list**  
Herr Prof. Krebs  
Herrn Dr. Banchi  
Herrn Dr. Barner  
Herrn Dr. Leuchs  
Herrn Prof. Muff

**Information from**  
CDept Controlling  
Subsidiaries

15. September 2004

Secretary to the BMD

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**Subject**

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**Split of Roxane Laboratories Inc. into two legal entities**

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Boehringer Ingelheim Corporation desires to divide its wholly-owned subsidiary, Roxane Laboratories, Inc. ("RLI") into two legal entities under BIC. This will create a new legal entity called Roxane Laboratories, Inc. ("New RLI") and rename existing RLI "Boehringer Ingelheim Roxane, Inc. (hereinafter referred to as "BIRI")."

The reorganization results in a separate legal entity for Development, Marketing and Sales of RLI multisource products, headed by Tom Russillo/Tom Murphy. It also creates a separate legal entity for Manufacturing/Operations as a function serving five different businesses headed by Rob Fromuth. At the same time we plan to incorporate under the BI Roxane Inc. all other Manufacturing and Distribution Functions and the respective personnel.

The purpose of splitting existing RLI into two legal entities is:

- **To improve line of sight** Management of the Multisource Business conducted by both BVL (Bedford and Contract Business) and RLI independent of the Roxane Manufacturing site.
- **To have the focus within BIRI on Operations** serving five businesses (PM Branded local, PM Branded Affiliates, Multisource Products RLI and on smaller scale for BVL products, CHC and Contract Manufacturing) and to further **develop the site as a launch site**.
- **To simplify allocation and reporting schemes** by having a clear distinction between the multisource businesses and Manufacturing (e.g.: sourcing, manufacturing, clinical supplies, warehouse and distribution allocations) will occur on a much more transparent base; and all legal entity figures of BIRI (Headcount, Sales and profits) are linked to the operations function.
- **To increase transparency** by aligning employees with the businesses they support and management group they report to. This is accomplished by transferring employees from RLI and BPI to either BIRI (Operations and Distribution employees), New RLI (Product Development employees), and BPI (Medical Affairs employees) without changing employees physical location.

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- **Based on arm's length principles (manufacturing agreements)**  
BIRI will serve the above mentioned Functions and Businesses which leads to more transparency and acceptance by the tax authorities.

The actions required to accomplish the creation of this new structure are shown in Attachment A.

This project has been agreed upon by the US Corporate Management Team.

Legal, HR and tax issues have been or are in the process of being resolved without major obstacles. Regulatory issues have been checked and all product rights can be transferred to the new legal entity.

A detailed plan including capital assets and balances, and naming of all board members and officers including the future organization charts of the companies will be completed in the near future, pending your approval of this restructuring.

Additional reorganization within the Multisource Business (a future merger between RLI and BVL) will be revisited when the commercial systems landscape is more harmonized between RLI and BVL with both corporations operating on SAP. In addition further evaluation of the different compensation and benefit programs between RLI and BVL will be performed to develop a plan to migrate towards a common compensation and benefit program for the Multisource Business. These activities will be completed during the current strategic planning horizon and are not inhibited by the proposed restructuring.

Further work on restructuring the US group (such as dissolving Eckener Braun Chemie, A.G., merging Interamerican Business Corporation or a possible merger between BIC and BPI) are not inhibited by this.

One time cost of approximately 100 TUS \$ have been included in Preview I and Expectation 2004 and Budget 2005 and the project is part of the already approved SAP upgrade project which has been approved by Ingelheim.

Corporate Controlling, Corporate Legal and Taxes and Operations agree to this project.

We ask you to recommend to Pharma Investment the approval of creating the new legal entity New RLI and to rename Roxane Laboratories, Inc. to Boehringer Ingelheim Roxane, Inc.

J. Martin Carroll

A handwritten signature in black ink that reads "J. Martin Carroll".

Hermann Tetzner

A handwritten signature in black ink that reads "Hermann Tetzner".

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**Attachment A -- Chronology of Actions**

These reorganizations are intended to be accomplished by tax free transactions made in accordance with the provisions of the following sections of the Internal Revenue Code of 1986, as amended.

- Sections 351 and 368(a)(1)(D) - Contribution of Assets to a Subsidiary
- Section 355 - Spin-off of subsidiary to parent corporation

The following sets forth, in order of occurrence, the actions required to accomplish the creation of this new structure.

1. Authorization of the Board of Directors of RLI to form a wholly-owned subsidiary, Roxane Newco, Inc. (New RLI).
2. a) Incorporation of New RLI.  
b) Issuance of Shares of New RLI to RLI.
3. Authorization of the Boards of Directors of RLI, BIC, and New RLI to enter into an Agreement and Plan of Reorganization and Corporate Separation (RLI, BIC, New RLI).
4. Execution of Agreement and Plan of Reorganization and Corporate Separation between RLI, BIC, and New RLI.
5. (a) RLI will contribute to New RLI its entire right, title and interest in its sales, marketing assets, and in all of its intellectual property associated with the multisource products business.  
(b) Immediately after the above contributions are made by RLI to New RLI, RLI will distribute all of the issued and outstanding stock of New RLI to BIC.
6. As soon as practicable after the above transactions have occurred, RLI will change its name to Boehringer Ingelheim Roxane, Inc., and New RLI will change its name to Roxane Laboratories, Inc.
7. The following groups of employees will be transferred to new legal entity they support (BIPi, New RLI, BIRI) and management group that they report to. Physical location of employees will not change.
  - Employees in Product Development, Randy Wilson's group (approximately 80 people currently within RLI) will be transferred to New RLI.
  - Assets and employees in CT Aerosol Operations and QC (57 people currently BIPi) will be transferred to BIRI.
  - Assets and employees in Reno, Nevada Distribution (10 people, currently BIPi) will be transferred to BIRI.
  - Employees in Medical (5 people, currently RLI) located in Columbus, Ohio will be transferred to BIPi.

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8. An evaluation of the compensation and benefit programs at BVL and New RLI will be performed to develop a plan to migrate towards a common compensation and benefit program for the Multisource Business. This activity will be completed during the upcoming strategic planning horizon.
9. A review of the commercial business systems landscape for BVL (QAD - MfgPro) and New RLI (SAP) will be conducted to develop a migration plan and roadmap as well as a timeline to move towards a common systems landscape for the Multisource Business. This activity will be completed during the upcoming strategic planning horizon.

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